

financially oppressed by the increased number of sovereigns that were required to place in New York a stated amount in dollars—a grave and unprecedented discount of the British pound expressed in dollars. The fundamental fact, of course, was the balance of trade then existing against England; the imports largely exceeding the exports, and thus the enormous sums which we owed to America for imports compared with the extent of the counteracting amounts which we could claim from that country for our exportations; or, embodying the situation in the usual form, the bills of exchange upon New York available (in purchase) for liquidation of British exports were vastly sparser than those drawn upon London in satisfaction of exports from America. "When generally the Exchange has turned against England—i. e. when a less amount of foreign money forms the temporary equivalent of £1—our remedy consisted in an increase of the bank rate of discount (and consequently the production of a higher return upon capital lent in London), so that merchants, banks, and capitalists in various parts of the world might despatch funds for employment here —thus inducing foreigners to diminish their obligations to London and hence to maintain or replenish our stock of gold—by the attraction of a larger rate of interest than was obtainable in other markets of finance. But this remedy was unavailable now: we were no longer lending money in the normal business way to foreign (including American) customers, nor purchasing foreign investments, where the interest yielded by such advances and purchases could be utilised to defray the cost of our imports; nor were we exporting extensively (and thus adequately paying for imports), since vast numbers of our industrial classes had been abstracted from their customary manufacturing work and transferred either to the Army or to munition factories; and, finally, the war demanded continued and enlarging importations in the form of military equipments and food for the effective service of our forces. Thus, on both sides of the account with America, were

we constrained to the condition of owing considerably more to the United States than we could claim from her, with the necessary fall (reflecting that situation) in the rate of exchange upon London. There were obviously four methods which might be employed